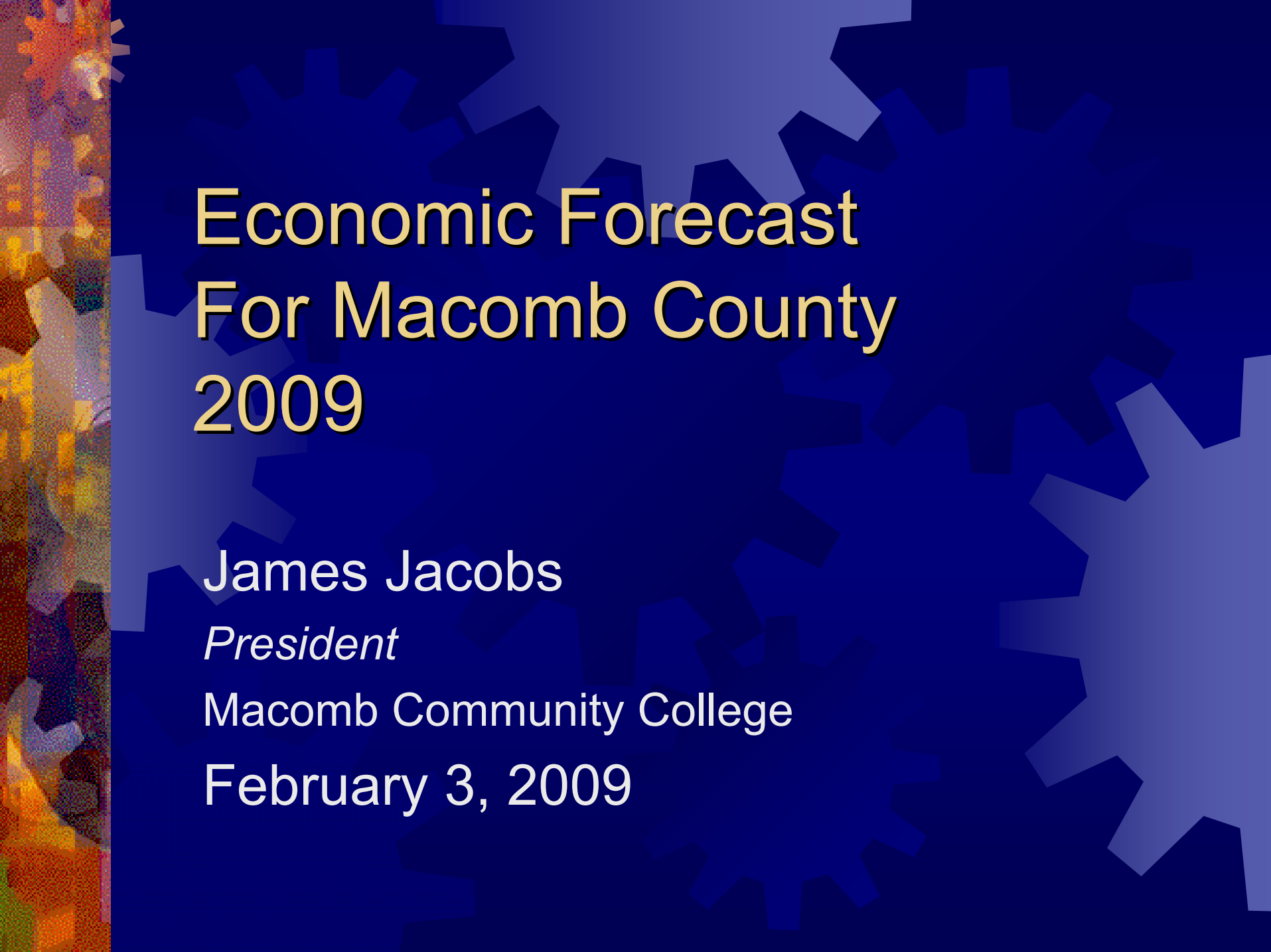


# Economic Club Luncheon



**Welcome to the  
“Economic Forecast of  
Macomb County”**



# Economic Forecast For Macomb County 2009

James Jacobs

*President*

Macomb Community College

February 3, 2009

# Outline of Talk

- ✱ National Picture
- ✱ State and County Trends
- ✱ Auto Industry
- ✱ Macomb County Economic Issues
- ✱ Forecast
- ✱ Wildcards

# 2008 A Grim Economic Year

- ★ United States enters recession in early 2008
- ★ The worldwide financial system contracts as major banks experience huge losses from taking on risky investments.
- ★ Over 35% decline of stock market and substantial loss for most companies bring about rising lay-offs and instability
- ★ Despite massive government intervention the economic meltdown continues without a clear end in sight
- ★ A long, major recession is probable which will roll back any potential recovery in Michigan or Macomb County

# Last Year's 2008 Forecast

- ✱ Annual growth less than 2% with no growth for first six months, with unemployment rising over 6%
- ✱ Fed will reduce interest rates twice before June and coupled with government stimulus should produce more positive results in late 2008; dollar decline will slow; inflation less than 3%
- ✱ Auto sales at 15.5 million, national housing prices will stabilize by the end of the year, energy prices will be moderate
- ✱ Macomb County will remain in recession until 2009
- ✱ Wildcard: "Impact of the financial/housing crisis on local institutions is unknown"

# What Happened – 2008

- ✱ Underestimated the ability of financial institutions to account for risk and speed at which the collapse occurred on a worldwide scale
- ✱ Failed to appreciate the shortcomings of technical financial instruments to accurately predict risk
- ✱ Believed that “self-interest” would produce solutions as opposed to uncertainty and paralysis

# What Happened – 2008

- ★ Unprecedented series of leadership blunders: initial lack of action, then failure of Lehman, little oversight of TARP funds, and finally the debate over the auto industry indicates no clear consensus on what to do.
- ★ One “positive” sign: The world situation is worse in Europe and Asia than in the United States resulting in the relative strength of the US economy

# National Economic Picture for 2009: Signs of Major Recession

- ★ Without investment, the national economy stalled both on Main Street and on Wall Street
  - ★ All major companies shedding workers to lower costs
  - ★ Federal intervention has not yet stabilized the economy
  - ★ Financial markets damaged and need to be rebuilt under new rules
- ★ Whether domestic OEM's can survive without continuous federal support is open to question
- ★ Significant international “blame” for recession on United States speculation activities



# Housing Prices Continue to Decline

- ★ More houses sold in 2008, but prices continue to decline over 15.5% in the past year
- ★ New housing stalls as financing becomes even more difficult
- ★ Sub-prime market foreclosures are overshadowed by general failure in the housing market
- ★ Areas most effected are in the high growth regions of the United States

# Unresolved National Issues

- ★ How to combat the downturn: stimulus or tax cuts?
  - ★ Government deficit rises to over 8% of the GDP
- ★ What is the role of government in the process?
- ★ What will or should be the international financial structure?
- ★ Should there be reform in the financial markets?

# 2009: Recession Deepens

- ★ 2009 promises to bring less national growth than 2008
- ★ The serious economic issues for Michigan ending any hope of immediate recovery
- ★ There is more convergence between the national recovery and the economic decline in Michigan as well as the County
- ★ At issue for Macomb County: how will all these national economic events impact the economic future of Macomb County?



# State and Local Trends:

Recession still grips Michigan and  
Macomb County

# Michigan

## Private Sector Employment Trends

2000-2008 (1<sup>st</sup> Quarter – Selected Sectors)

| Industry                     | 2000    | 2008    | %Change |
|------------------------------|---------|---------|---------|
| Construction                 | 183,864 | 135,914 | -26.0%  |
| Manufacturing                | 885,814 | 595,367 | -32.8%  |
| Wholesale Trades             | 183,354 | 164,669 | -10.2%  |
| Retail Trade                 | 539,823 | 471,116 | -12.7%  |
| Information Technology       | 75,204  | 61,266  | -18.5%  |
| Administrative Support       | 274,063 | 259,438 | -5.3%   |
| Education Services           | 41,399  | 62,956  | +52.0%  |
| Health Care & Social Service | 444,536 | 518,848 | +16.7%  |

Sources: MDCCD/Employment Service Agency

# Michigan

## Private Sector Employment Trends

2006-2008 (1<sup>st</sup> Quarter – Selected Sectors)

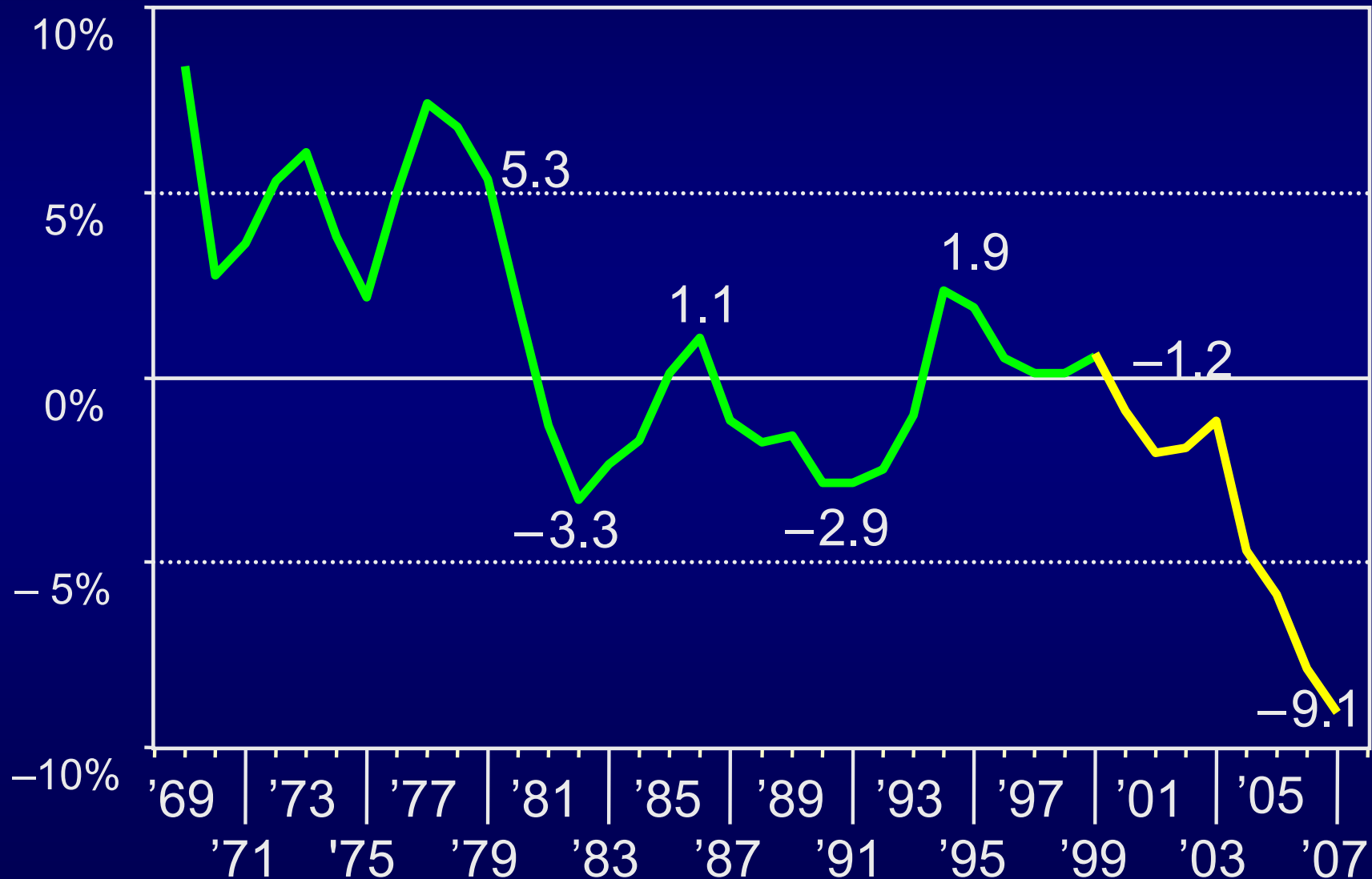
| Industry                     | 2006    | 2008    | %Change |
|------------------------------|---------|---------|---------|
| Construction                 | 158,703 | 135,914 | -14.3%  |
| Manufacturing                | 658,295 | 595,367 | -9.5%   |
| Wholesale Trades             | 167,019 | 164,669 | -1.5%   |
| Retail Trade                 | 483,063 | 471,116 | -2.4%   |
| Information                  | 65,768  | 61,266  | -6.8%   |
| Administrative Support       | 245,079 | 259,438 | +5.8%   |
| Education Services           | 59,590  | 62,956  | +5.6%   |
| Health Care & Social Service | 499,811 | 518,848 | +3.8%   |

Sources: MD CD/ Employment Service Agency

# How Weak is the Michigan Economy?

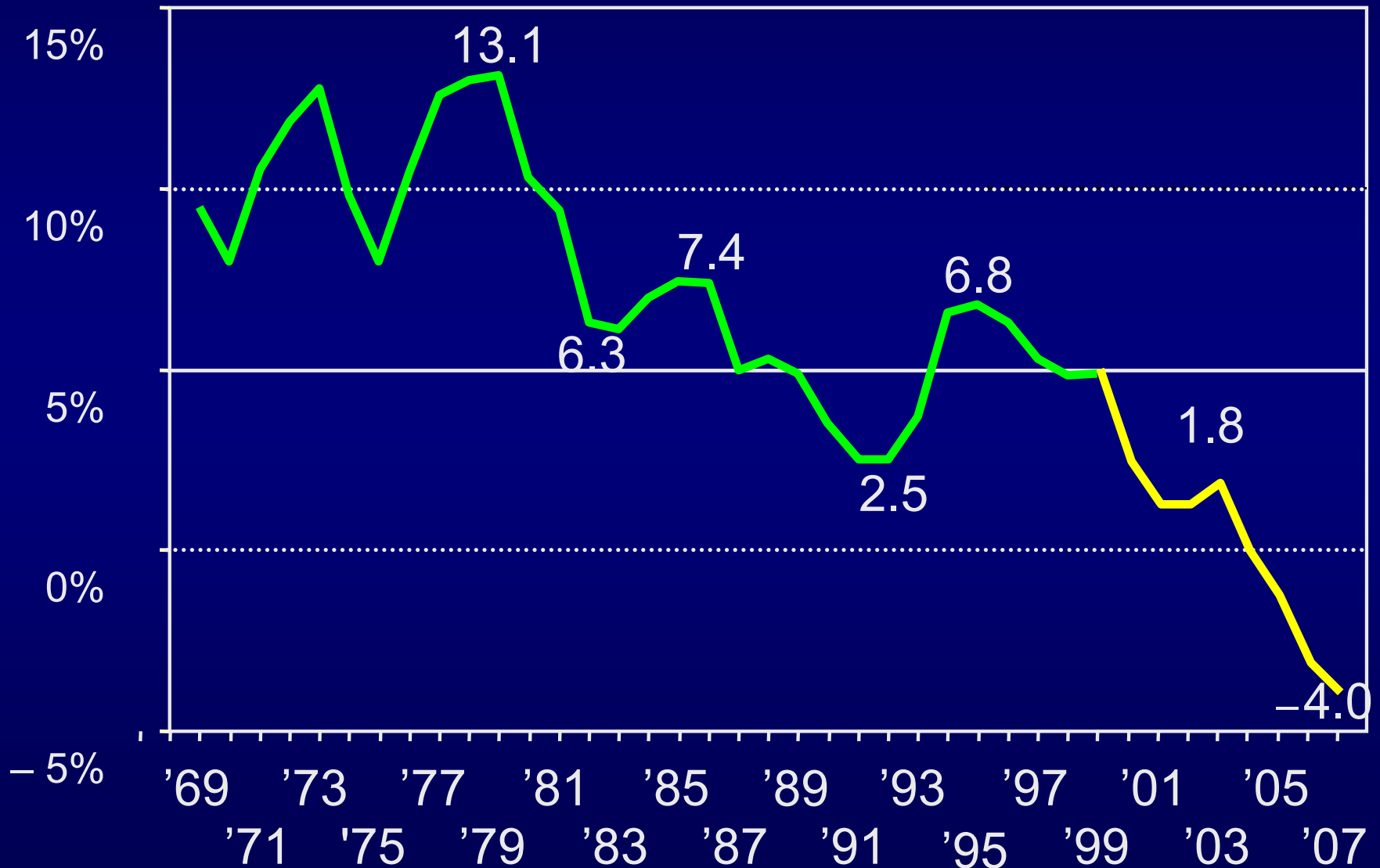
- ★ Michigan's Recent Statistics:
  - ★ 50th in Unemployment Rate
  - ★ 44th in Migration from State
  - ★ 44th in Employment Growth
  - ★ 5th in Real Estate Foreclosures
  - ★ 2nd in percent Population Loss

# Michigan Per Capita Income Deviation from National Average





# Wages and Salaries per Job Deviation from National Average



# State of Michigan

- ★ Budget issues continue into 2009
  - ★ Specific short fall less because of tax increase, FY2010 predicted to be \$1.4 billion
  - ★ Significant issues for the next five years
  - ★ Smallest state workforce since 1974; ranked 45<sup>th</sup> out of 50<sup>th</sup> for per capita state employees
- ★ Health care costs outpacing revenue growth
  - ★ 1 million residents receive health benefits, up 6% from last year
- ★ New tax brings more revenue, but that cannot mitigate the structural issues of a state losing jobs and population

# Auto Employment Cutbacks Continue

- ★ January 2009: Chrysler closes all assembly plants; GM lays-off 2,000 workers; Ford forced into more lay-offs
- ★ Major auto suppliers close to bankruptcy and their impact on supply chain management of all OEM's is significant
- ★ Industry may need to adjust to a long term smaller US market of less than 15 million units annually

# Detroit Downtown Growth Slows

- ✱ Growth in downtown population, new hotel opened in late 2008
- ✱ New Investment in the Eastern Market, Woodward Corridor and continued growth of Mexican town
- ✱ Less attendance at downtown events and decline in business activity cuts into downtown development; DIA and DSO struggling

# Worse...

- ✱ Significant short-fall of Detroit budget will impact city services
- ✱ Detroit Public Schools enrollment continues to fall as more students exit the system
- ✱ Uncertain leadership situation continues

# Some Bright Spots

- ★ Cobo Hall Expansion deal almost completed
- ★ Second new airport terminal opened; gets good reviews
- ★ Regional support for the Zoo signals a new form of cooperation
- ★ Northwest merger with Delta benefits Detroit

# Gaming: A Growth Industry?

- ★ Casino tax revenues are the fourth largest share of income to the city of Detroit
- ★ Over 15,000 new jobs have been created within the city of Detroit
- ★ New MGM and Greektown expansions add significant new downtown employment and spin-off industries

# Gross Revenue From Detroit Casinos

| Year | Adjusted Gross Receipts | Percent Growth From Previous Year |
|------|-------------------------|-----------------------------------|
| 2006 | \$1.303 Billion         | 5.1%                              |
| 2007 | \$1.340 Billion         | 2.8%                              |
| 2008 | \$1.360 Billion         | 1.5%                              |





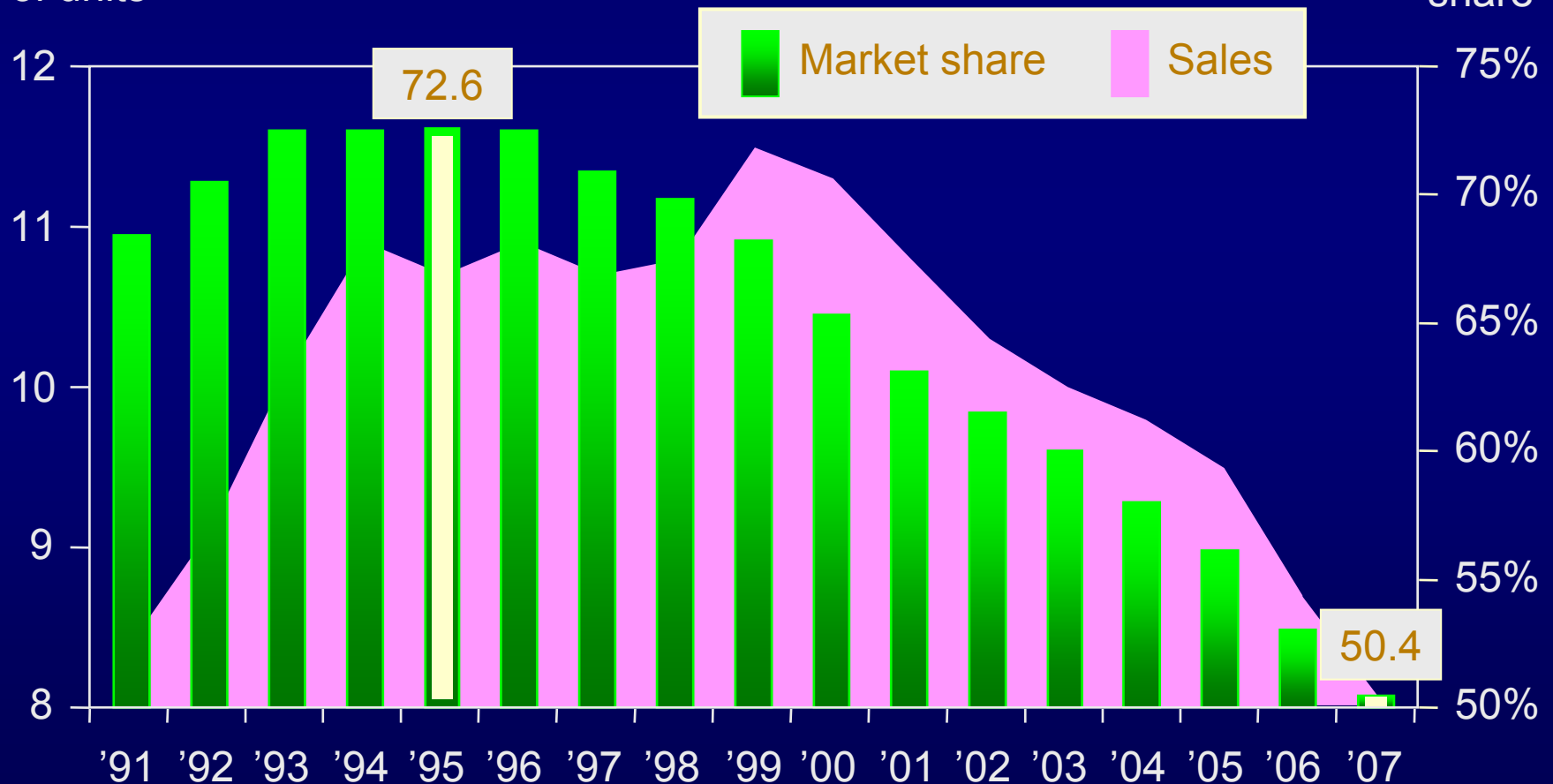
# Auto Industry

Market Share of Domestic OEMs  
Continues to Decline

# *Detroit Three: Sales of Light Vehicles and Market Share of Total Sales United States, 1991–2007*

Sales  
in millions  
of units

Market  
share



# Bleeding Continues

- ✱ Market share of domestic OEMs continues to fall; now less than 47%
- ✱ Domestic OEM's suffered a combined \$65 billion in operating losses since 2002
- ✱ Since May 2005, domestic OEMs shed 132,000 jobs from 64 plants

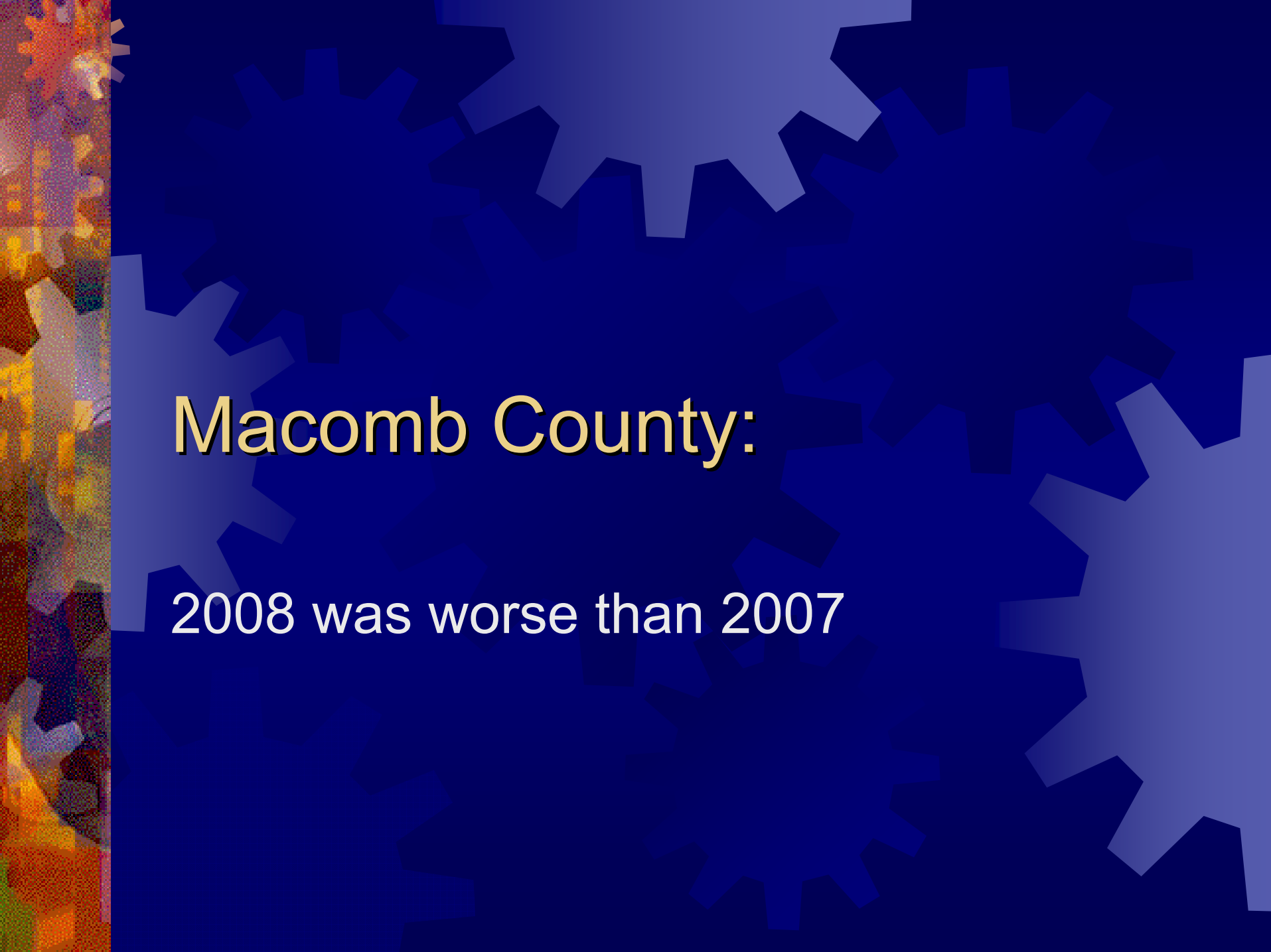
# Significance of the Electric Car

- ★ Major new product for GM in an uncertain market
- ★ Location of the battery plant makes Michigan and perhaps Macomb County a potential site
- ★ Strong federal support likely
- ★ Down side: changes in oil prices make market unpredictable.

# Still...A Long Road Back

- ★ Recovery for GM, new models and styles are present
- ★ Ford's future still uncertain
- ★ Chrysler even with a new partner is faced with challenges
- ★ Are the TARP funds enough for the domestic auto industry?

*Even if successful, the auto industry will be smaller and employ fewer Macomb County residents at a lower wage*



# Macomb County:

2008 was worse than 2007

# Macomb County in 2008

- ★ Local economy declines as Michigan recession deepens
  - ★ Loss of manufacturing jobs and domestic auto industry shrinks
  - ★ New residential construction continues to decline significantly
  - ★ Significant growth of working poor population in Macomb County

# Macomb County

## Private Sector Trends

2000-2008 (1<sup>st</sup> Quarter – Selected Sectors)

|                                  | 2000    | 2008   | %<br>Change |
|----------------------------------|---------|--------|-------------|
| Construction                     | 17,937  | 12,427 | -30.7%      |
| Manufacturing                    | 106,415 | 70,216 | -34.0%      |
| Wholesale Trade                  | 11,212  | 10,307 | -8.0%       |
| Retail Trade                     | 42,933  | 38,602 | -10.0%      |
| Information                      | 1,698   | 2,069  | +21.8%      |
| Administrative Support           | 21,194  | 22,104 | +4.3%       |
| Education Services               | 1,349   | 2,385  | +76.8%      |
| Health Care &<br>Social Services | 25,509  | 24,484 | -4.0%       |

Sources: MDCCD/Employment Service Agency



# Macomb County

## Private Sector Trends

2006-2008 (1<sup>st</sup> Quarter – Selected Sectors)

|                                  | 2006   | 2008   | %<br>Change |
|----------------------------------|--------|--------|-------------|
| Construction                     | 15,418 | 12,427 | -19.4%      |
| Manufacturing                    | 80,763 | 70,216 | -13.0%      |
| Wholesale Trade                  | 11,197 | 10,307 | -7.9%       |
| Retail Trade                     | 39,742 | 38,602 | -2.8%       |
| Information                      | 1,896  | 2,069  | +9.0%       |
| Administrative Support           | 24,692 | 22,104 | -10.4%      |
| Education Services               | 2,323  | 2,385  | +2.6%       |
| Health Care &<br>Social Services | 32,648 | 24,484 | -25.0%      |

Sources: MDCCD/Employment Service Agency

# Local Business Investment Continues

- ✱ Investment continues
  - ✱ Reinvestment in major facilities by Chrysler and GM
  - ✱ Some companies take advantage of low real estate prices for relocation outside of Detroit
  - ✱ Foreign investment continues, but poor market conditions inhibit growth
- ✱ County initiates efforts at new targeted industries and Macomb playing a role in the Detroit region through Automation Alley
- ✱ Health care investment continues to be strong

# Major New Developments

- ★ Smart-Zone development in Sterling Heights
- ★ Planned Convention Center and hotel at M-59 and I-94
- ★ New ties between the County and major companies as economic development becomes a greater priority

# Macomb County's Labor Force Has Decreased By 6.3 Percent Since 1999 High – Employment Dropped By 11 Percent While the Number of Unemployed Grew By 118 Percent



Source: MI Labor Market Information

# Macomb County Residential Sales & Construction

| Year | Houses Sold | Average Selling Price | Residential Construction Permits | Condos Sold | Average Selling Price |
|------|-------------|-----------------------|----------------------------------|-------------|-----------------------|
| 2005 | 8,038       | 185,365               | 4,000                            | 1,876       | 127,450               |
| 2006 | 6,718       | 169,294               | 2,514                            | 1,597       | 116,398               |
| 2008 | 7,661       | 111,900               | 508                              | 1731        | 68,047                |

Sources: Southeast Michigan Builders Association, Macomb Realtors, SEMCOG

# 2008 Property Tax Assessments

| Community        | Decrease |
|------------------|----------|
| Armada Twp       | -9.8%    |
| Bruce Twp        | -8.6%    |
| Center Line      | -17.0%   |
| Chesterfield Twp | -11.3%   |
| Clinton Twp      | -11.5%   |
| Eastpointe       | -15.4%   |
| Fraser           | -16.6%   |
| Harrison Twp     | -14.0%   |
| Lake Twp         | -16.6%   |
| Lenox Twp        | -7.3%    |
| Macomb Twp       | -9.9%    |
| Memphis          | -3.7%    |

| Community        | Decrease |
|------------------|----------|
| Mt. Clemens      | -18.4%   |
| New Baltimore    | -10.5%   |
| Ray Twp          | -19.1%   |
| Richmond         | -9.4%    |
| Richmond Twp     | -2.2%    |
| Roseville        | -13.6%   |
| Shelby Twp       | -7.3%    |
| St. Clair Shores | -9.5%    |
| Sterling Heights | -9.2%    |
| Utica            | -14.3%   |
| Warren           | -13.6%   |
| Washington Twp   | -14.6%   |

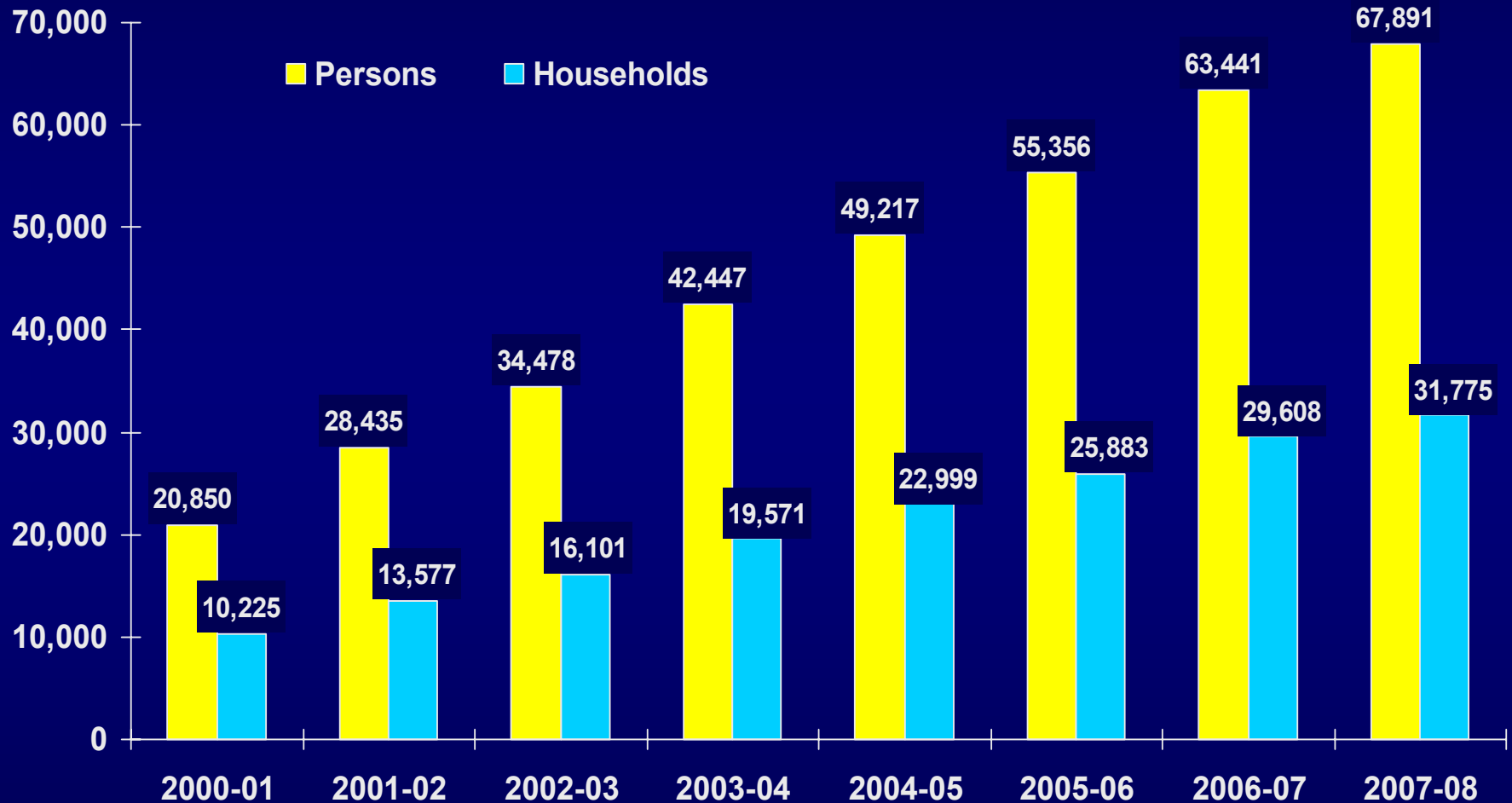
Source: Macomb County Equalization Dept

# Impact of Economic Downturn Macomb County

|  | 2006                          | 2007                          | 2008                         |
|--|-------------------------------|-------------------------------|------------------------------|
| <b>CASE LOAD</b>                                     |                               |                               |                              |
| Families Independence Program                        | <b>3,296</b>                  | <b>3,059</b>                  | <b>2929</b>                  |
| Work First Program:<br>Numbers and<br>Placement Wage | <b>4,916</b><br><b>\$7.47</b> | <b>4,819</b><br><b>\$8.18</b> | <b>5587</b><br><b>\$8.64</b> |
| Michigan Works:<br>Clients Served                    | <b>48,347</b>                 | <b>49,185</b>                 | <b>77,158</b>                |

Sources: Family Independent Agency, Macomb/St. Clair Workforce Development Board, MCREST

# The Number of Macomb County Households Receiving Food Assistance Payments Has Increased by **211%** Since 2001 / Persons by **226%**



Source: MI Dept. of Human Services



# Some Positive Signs

- ✱ Charter commission
- ✱ Unity on economic development
- ✱ Emphasis on international development, particularly in China
- ✱ Post-secondary education growth:
  - ✱ Wayne State University Building
  - ✱ Oakland University Expansion



# Macomb County: Is There Any Hope?

Some steps to take

# A Few Basic Assumptions

- ★ Without national recovery, Macomb County will not improve
- ★ However, recovery will not come because of federal action, we must take advantage of the federal role to continue the efforts of economic transformation
- ★ Assume there will be pain in the County on all levels, but make sure it is shared by all
- ★ There is no one strategy to realize, there are many smaller ones

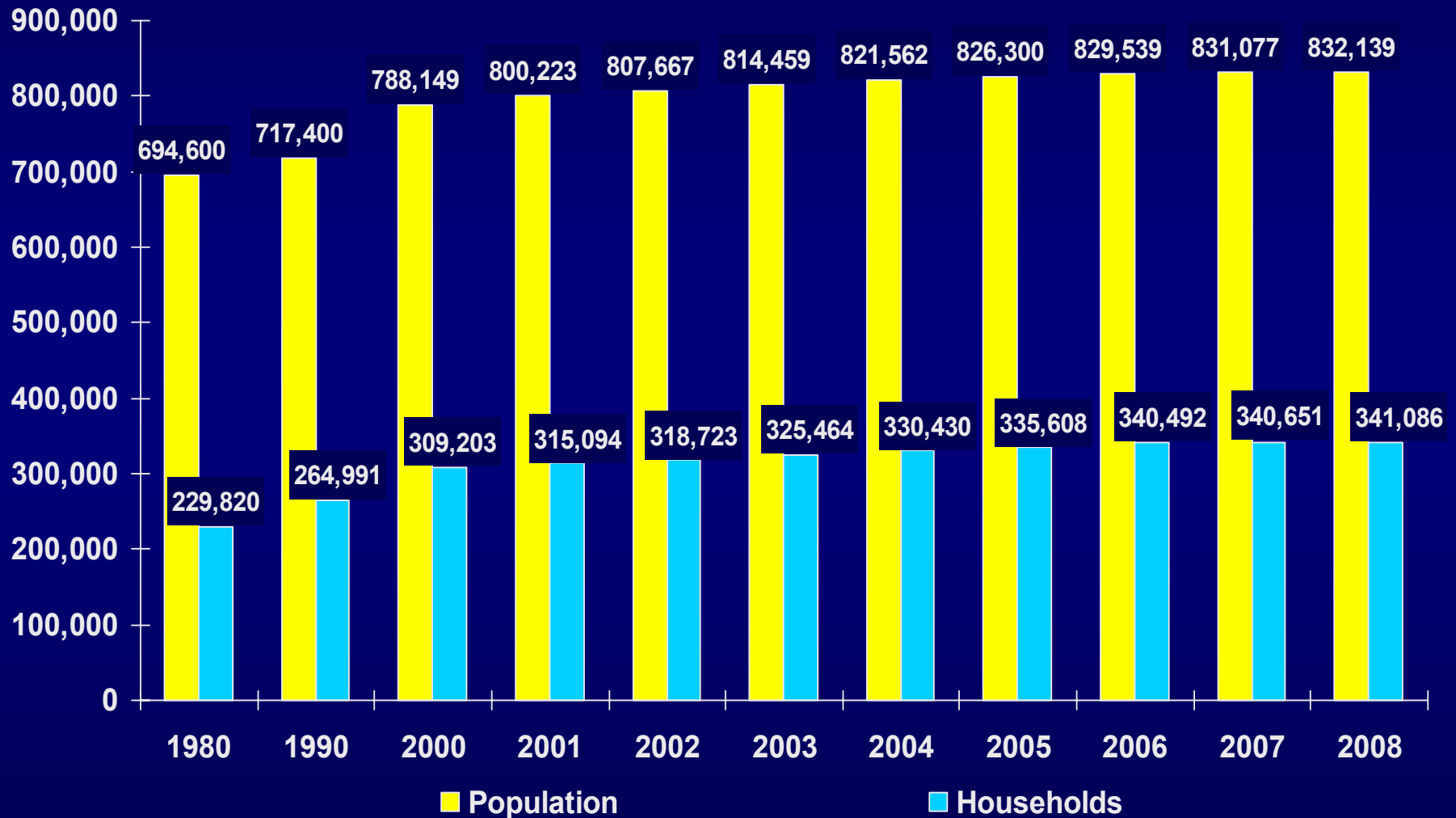
# Macomb County Strengths

- ✱ A growing population of families attracted to living in the County
- ✱ A substantial technical skill base for advanced manufacturing
- ✱ A potential for green construction technologies
- ✱ Access to a significant resource — the water

# Each of these strengths produces mini-strategies

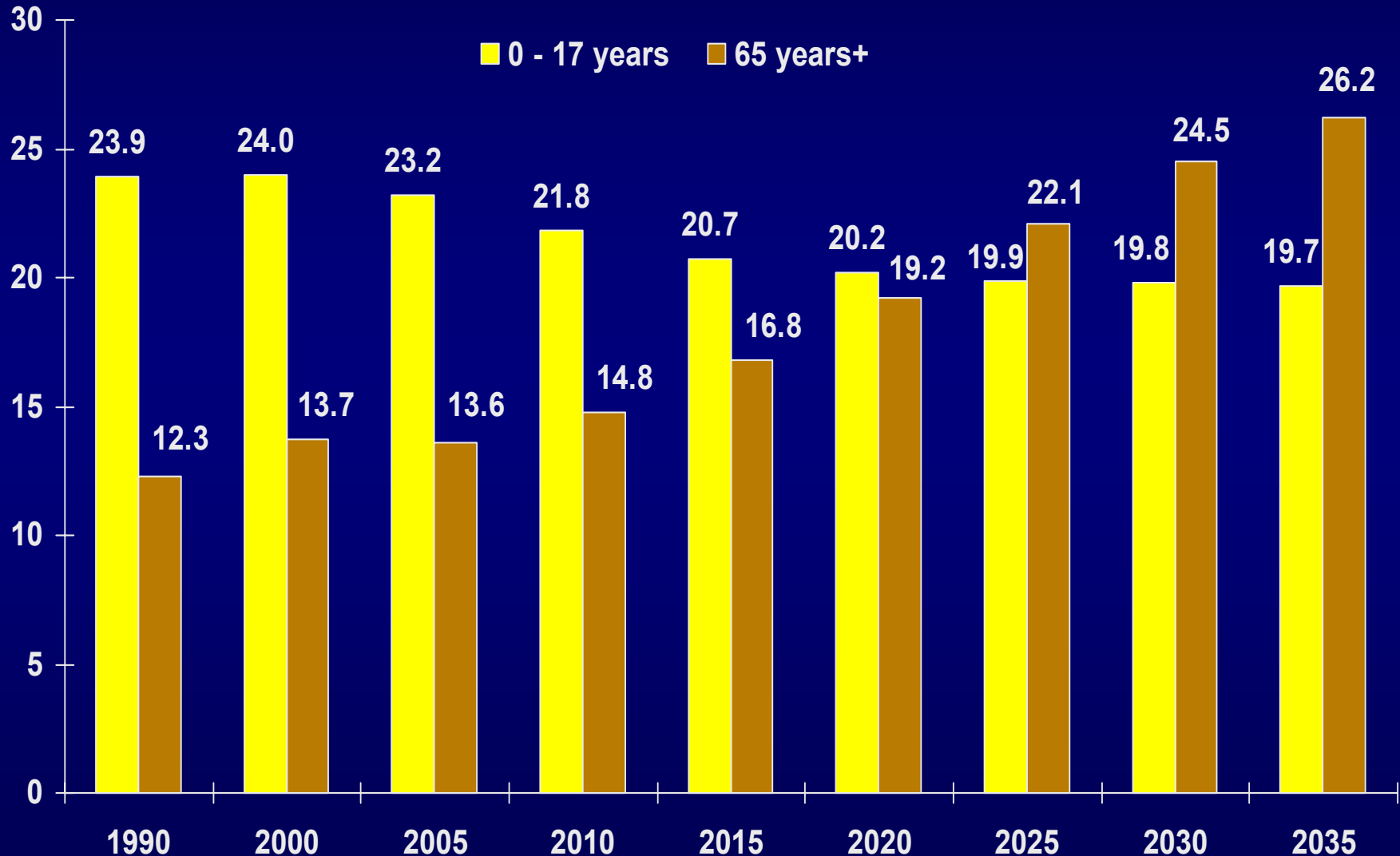
- ★ Services for younger working families, and expansion of entrepreneurial activities with new Americans
- ★ Emphasis on design and advanced fuel efficient automobiles and defense manufacturing
- ★ Incentives to local builders for energy efficiency production of materials and home construction
- ★ Development of new water technologies for sustainable living

# Macomb County Has Shown Steady Population Increase and Has Led the State in Population Growth Since 2000



Source: Census Bureau / SEMCOG

# Macomb County's Future Growth Will Be Heavily Concentrated in the Older Age Groups – Child Population Will Decrease By 10,000 Between 2008 and 2020



Source: Census Bureau / SEMCOG

# Immigration Continues to Partially Stem the Tide of Population Losses Due To Domestic Out-Migration

| County     | Net Domestic Migration | International Migration | Net Migration |
|------------|------------------------|-------------------------|---------------|
| Michigan   | -356,502               | 149,684                 | -206,818      |
| Livingston | 17,017                 | 1,066                   | 18,083        |
| Macomb     | 6,703                  | 13,547                  | 20,250        |
| Monroe     | 3,206                  | 687                     | 3,893         |
| Oakland    | -61,885                | 33,453                  | -28,432       |
| Washtenaw  | -3,575                 | 14,262                  | 10,687        |
| Wayne      | -227,272               | 41,374                  | -185,898      |



# Macomb County Continues to Gain Residents (Net Migrants) From Its Larger Neighbors

| County      | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
|-------------|---------|---------|---------|---------|---------|---------|
| NonMigrants | 668,810 | 674,891 | 678,397 | 681,923 | 683,683 | 687,050 |
| Oakland     | 2,399   | 2,058   | 1,450   | 1,425   | 889     | 356     |
| Wayne       | 4,971   | 4,735   | 5,201   | 5,368   | 5,100   | 5,636   |
| St. Clair   | -1,214  | -1,095  | -927    | -663    | -687    | -405    |
| Lapeer      | -455    | -436    | -575    | -454    | -427    | -287    |
| Genesee     | -143    | -51     | -184    | -210    | 305     | -36     |
| Washtenaw   | -108    | -61     | -12     | -123    | -127    | -56     |
| Livingston  | -174    | -116    | -138    | -145    | -184    | -113    |

Source: IRS Special Migration Files

# Emphasize Services

- ★ Health care and family services become important
- ★ Retail and local banking and credit structures
- ★ Build a county infrastructure around the growing population
- ★ Promote ethnic entrepreneurialism

# Manufacturing Matters

- ★ Defense, especially technical defense applications, matter to boost knowledge economy
- ★ Supplier relationships outside of automobile industry must be developed, particularly in green applications
- ★ Inside of auto industry emphasis is on design, going beyond domestic OEM, and on networks of smaller firms

# Residential Construction

- ✱ Transcend the current sector business model and focus on “green” rebuilding and renovation
- ✱ Link with green manufacturing and serve the local metropolitan market
- ✱ New emphasis on electronic controls, heating and cooling



# Water:

## “The Next Hot Commodity”

- ✱ Macomb Waterfront a hidden asset for County development as a tourist and recreational destination spot
- ✱ Also a scarce resource as worldwide prices rise
- ✱ Increasing demand for water in:
  - Expanding agricultural production
  - Water important in bio-fuel production
  - Climate changes produces demand for water

# Forecast-2009

- ★ No recovery in 2009, the depth of the recession will be lessened if the stimulus package does produce local jobs
- ★ Continued growth in unemployment, low or negative inflation, and little gains in the stock market
- ★ The next year 2010 brings US out of recession, but Michigan will wait until 2011-2012

# Short Term Recovery Benchmarks

- ★ April 1: whether there will be continued support for auto industry
- ★ June 30: first signs of stimulus package should be occurring
- ★ September 1: banking, finance and credit system should show signs of recovery
- ★ At the end of the year, the recession should not deepen

# Wildcards

- ✱ The depth of the financial crisis
- ✱ The impact of stimulus and reform
- ✱ Is there traction for a sustainable “green” economy?
- ✱ What will survive in the automobile industry?
- ✱ International reactions to the economic crisis, especially China



# Conclusion- Back to Basics

- ★ Macomb County faces a difficult period because we are not in control of our destiny
- ★ We need to continue to change and develop and not just react
- ★ We need to remain resolved in our approach and optimistic in its outcome



Thank You

*For a copy of the presentation  
please email:  
[Jacobsj@macomb.edu](mailto:Jacobsj@macomb.edu)*